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IN THE

SUPREME COURT

OF THE

UNITED STATES

October Term, 1921.

No. 132.

Union Tool Company,

Petitioner,

vs.

Elihu C. Wilson,

Respondent.

BRIEF FOR RESPONDENT.

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BRIEF FOR RESPONDENT.

STATEMENT OF CASE.

Before replying to petitioner's elaborate argument the respondent desires to point out wherein he disagrees with petitioner's statement of the case.

In 1904 and prior thereto the petitioner was manufacturing and selling an oil well underreamer under license and part ownership of United States Letters Patent No. 734,833 is-

sued to Edward Double, the president of the petitioner. By 1904 the respondent Wilson was marketing in commercial quantities his underreamer subsequently covered by his United States Letters Patent No. 827,595 issued in 1906. By the time this patent was issued the Wilson underreamer, because of its obvious superiority, had driven all other types of underreamers from the market and the petitioner in order to remain in this field of manufacture, departed from its own device covered by its patent and began to manufacture and sell devices in infringment of the Wilson patent. (R. 64, 81.)

These infringing devices were designated by the petitioner as follows: "Double Improved," "Type D," "Type E" and "Type F," (R 10, 11) and each succeeding "type" followed more closely the features of the Wilson invention and which had proven in practice to be essential to the design of a satisfactory underreamer.

It is important to bear in mind that the petitioner did not commit this infringement by a slight and almost inadvertent modification of his own device, as might be inferred from the statements contained in his brief. (Brief 6, 7.) On the contrary he abandoned his own device and adopted the combination of elements and mode of operation covered by combination claims 9 and 19 of respondent's patent

(R 64,81) and he did this because his own device was unsatisfactory and could not compete with respondent's underreamer (R 81), and also because, as found by the District Court, there was "a sedulous desire and disposition on the part of the defendant (petitioner) to do everything he could do, and keep out of jail, and yet take advantage of the things that this man Wilson (respondent) had invented." (R 81.)

In the resulting litigation the District Court for the Southern District of California, Southern Division, sustained respondent's patent and held that petitioner's aforesaid devices infringed claims 9 and 19 thereof (Wilson v. Union Tool Co., 237 Fed. 847). This decision was affirmed by the Circuit Court of Appeals. (Union Tool Co. v. Wilson, 249 Fed. 736.) Interlocutory decree was accordingly entered and injunction issued. (R. 6, 14.)

The petitioner, however, continued to manufacture and sell *extra, spare and repair parts and elements* for and to be used with its infringing underreamers theretofore sold by it. (R 57, 97.) Also it began to manufacture and sell two "types" of underreamers known as its "Pocket Type" and "U Type" which were not even colorable changes from its previous infringements but actually were the same as the devices whose further manufacture and sale were prohibited by the injunction. (R. 97.)

Contempt proceedings were accordingly instituted by the respondent and the trial court, after finding the facts as above stated, fined the petitioner five thousand dollars ($5000), one-half of which sum was to be paid to respondent as a reasonable portion of his expenses incurred in said contempt proceedings. (R 98.) The court also found that the petitioner had manufactured and sold the extra, spare and repair parts and elements for its infringing underreamers notwithstanding the plain prohibitions of the injunction, but it purged or pardoned the petitioner of this contempt.

Petitioner promptly sued out a writ of error to the Circuit Court of Appeals for the Ninth Circuit contending that the trial court committed error in assessing the punitive portion of the fine for the contempt in manufacturing and selling the "Pocket Type" and "U Type" underreamers when the said court stated *with regard to this particular act of contempt* that it actually indulged in the mental reservation that the petitioner had not acted in bad faith. (R 88.)

The respondent sued out a cross writ of error from the trial court's decision alleging as error and abuse of discretion the purging or pardoning of the petitioner's wilful contempt, as found by the trial court, in the manufacture and sale of the extra, spare and repair parts and ele-

ments for petitioner's devices, when this very thing was prohibited by the injunction.

The respondent then moved the court for such a continuance of the hearing of the writ as would permit it to be heard coincidently with the cross writ in conformity to the Appellate Court's rule 25 requiring appeals and cross appeals to be argued together as one case. This motion was denied and on January 5, 1920, a decision was handed down on petitioner's writ of error affirming the remedial portion thereof but reversing the portion of the decree assessing a punitive fine.

This decision was based on a statement made by the lower court while discussing respondent's motives in making and selling the "Pocket Type" in violation of the injunction. (R 88.) (Union Tool Co. v. U. S., 262 Fed. 431.)

Subsequently (on May 17, 1920), the Appellate Court rendered its decision on respondent's cross writ holding that the lower court had abused its discretion in purging the petitioner of contempt after finding it guilty of making and selling extra, spare and repair parts and elements for its infringing devices, when same was clearly prohibited by the injunction. That portion of the lower court's decree purging or pardoning the petitioner of the contempt so found, was reversed and the cause remanded with directions to impose such punishment as

might seem proper. (Wilson v. Union Tool Co., 265 Fed. 669.) (R. 127.)

Petitioner's motion for rehearing was thereafter denied and the cause now comes before this court upon a writ of certiorari.

The punitive and remedial fines both resulted from the contempt committed by petitioner in manufacturing and selling the "Pocket Type" and "U Type" underreamers. Both were reviewed by the Appellate court upon petitioner's writ of error.

The decision of the Appellate Court now to be reviewed refers only to the contempt committed by petitioner in manufacturing and selling the extra, spare and repair parts and elements for use with its infringements sold theretofore. (R. 128.)

The trial court in effect found petitioner guilty of contempt in manufacturing and selling these parts and elements because otherwise there would have been no contempt in this regard for the District Court to purge.

This writ of certiorari raises the question as to whether or not the Appellate Court had jurisdiction to review the District Court's abuse of discretion in purging or pardoning the petitioner for violating the plain terms of the injunction.

The controlling facts have been disregarded throughout petitioner's brief, namely:

1. That the trial court found as a fact that petitioner had wilfully and, therefore, criminally violated the injunction when it manufactured and sold the extra, spare and repair parts and elements to be used with its infringements designated in the interloctutory decree; and this finding of criminal contempt was not considered or much less, disposed of by the Appellate Court's decision on petitioner's writ of error.

2. That these parts and elements manufactured and sold by petitioner were not substantially to be used for the purpose of repairing petitioner's infringements; they were *extra* and *spare* parts as well as repair parts and were sold in anticipation of wear and breakage and for the purpose of facilitating the use of the infringements.

The petitioner's contentions can be divided into two arguments:

I.

That the Appellate Court lost jurisdiction to consider the errors assigned under the cross writ of error when it decided the errors assigned under the writ of error.

II.

That petitioner was justified in disregarding the injunction and, therefore, the District Court rightly purged or pardoned the contempt.

Brief of Argument.

We will first consider petitioner's contention that the Appellate Court lost jurisdiction to consider the errors assigned under the cross writ of error when it decided the errors assigned under the writ of error.

Petitioner contends, that when the Appellate Court reversed the trial court's order assessing the punitive fine that the petitioner was acquitted of all wilful contempt. Therefore to again review the trial court's decree on the cross writ was to place the petitioner twice in jeopardy and in effect to review and reverse a judgment of acquittal.

Petitioner argues further that by reversing the finding of wilful contempt the Appellate Court in effect declared the trial court's decree to be only a finding of civil contempt and that the respondent's cross writ of error thereby abated and the only method of review is by way of appeal and that an appeal would not lie except from final decree in the main cause.

Had the Appellate Court granted respondent's motion to hear the writ of error and the cross writ of error coincidently the petitioner could not have questioned the Appellate Court's jurisdiction in either proceeding. This must be conceded even if petitioner's assumption were true that the cross writ of error raised only a civil element of the trial court's decree. The

law is well established that where punitive and remedial fines are assessed in a contempt proceeding the case will be regarded as a criminal proceeding. (*In re.* Merchants, 223 U. S. 639, 56 L. Ed. 584.) But the criminal and civil aspects of such a case may properly be included in one proceeding under a writ of error. (Proudfit L. L. Co. v. Kalamazoo L. L. Co., 230 Fed. 120.) While, in such a proceeding the criminal element will dominate, this does not exclude the civil element from being considered. (Kreplik v. Couch Patents Co., 190 Fed. 565.) Therefore, if the respondent's cross writ of error had assigned as error a civil element of the trial court's decree it would properly have been heard with the petitioner's writ of error assigning the criminal element of that decree.

However, it was within the discretion of the Appellate Court to hear the writ and cross writ separately and we agree with petitioner that in such a case the cross writ does not depend upon the writ for its jurisdiction. Both lie to the decree sought to be reviewed and the errors assigned in the writs are separate and distinct. (Alaska-Treadwell A. M. Co. v. Cheney, 162 Fed. 593.)

The petitioner recognized the criminal character of the judgment of the trial court when it applied for a writ of error instead of proceeding by way of appeal. The only manner in which the respondent could obtain a review of

such errors of the trial court as were not assigned by the petitioner on its writ of error was by way of a cross writ. (Montana Mining Co. v. St. Louis M. & M. Co., 186 U. S. 24,, 46 L. Ed. 1039.) He could not confer jurisdiction upon the Appellate Court to review the adverse portions of the lower court's decree by assigning cross errors. (Bolles v. Outing Co., 175 U. S. 262; 44 L. Ed. 156; Cleary v. Ellis Foundry Co., 132 U. S. 612, 33 L. Ed. 473; O'Neil v. Wolcott Mining Co., 174 Fed. 527.)

Therefore the petitioner's writ of error and the respondent's cross writ of error although heard separately were practically one proceeding in review of the trial court's decree. The Supreme Court pointed out in Montana Mining Co. v. St. Louis M. & M. Co., 186 U. S. 24, 46 L. Ed. 1039, that embarrassment might arise by treating such a proceeding as this as two separate and independent cases as petitioner contends should now be done. (Brief 18.)

We submit, therefore, that merely because the petitioner's writ was heard before the cross writ, this did not preclude the Appellate Court from reviewing the other elements of the trial court's decree and particularly in view of the fact that the respondent had protected his rights by moving that court to hear the writs together in accordance with the rules of the Appellate Court.

This would certainly be true even though the cross writ of error assigned errors referring only to the civil portions of the trial court's decree. However, the errors assigned by respondent in his cross writ referred to a finding of the District Court which the Appellate Court found as a fact was a finding of wilful and therefore criminal contempt. (R. 131.) The respondent's cross writ of error, therefore, lies to a finding of wilful contempt by the District Court and this finding of fact was not disturbed by the Appellate Court (R. 131), nor will it be reviewed by the Supreme Court under this writ of certiorari. (Brown v. Fletcher, 237 U. S. 583, 59 L. Ed. 1128.) The Circuit Court of Appeals under the cross writ of error merely reviewed the District Court's abuse of discretion in refusing to apply the law to the fact which it had found.

This finding of fact by the District Court that the petitioner had wilfully violated the injunction in a manner separate and distinct from its manufacture and sale of the "Pocket Type" and "U Type" underreamers will be made clear from the following quotations:

The injunction prohibited the petitioner "From manufacturing or causing to be manufactured, selling or causing to be sold * * * any part or parts or elements calculated and intended to be combined or used as a feature of

any underreamer or device in infringement of Letters Patent No. 827,595 (being the letters patent sued on in this cause), that is of claims 9 and 19 thereof, in any manner whatsoever, or from manufacturing or causing to be manufactured, using or causing to be used, selling or leasing or causing to be sold or leased, either directly or indirectly, any combination of parts or elements or features capable of being assembled together or used in infringement of said Letters Patent No. 827,595, that is, of claims 9 and 19 thereof. (R. 15.)"

Before the hearing in the trial court the petitioner and respondent entered into a stipulation of agreed facts. (R. 56.) Among other facts agreed upon this stipulation contains the following admission by the petitioner:

"That the defendant herein, since the service of the injunction in this cause on November 14, 1918, has manufactured and sold, and intends, unless otherwise ordered by this court, to continue to manufacture and sell cutters, springs, spring rods, keys, cotter-pins, and all parts except bodies, as "extra" or repair parts for and to be used with the underreamers particularly referred to and described in the interlocutory decree and injunction aforesaid in this cause (except Type F reamers) and which were sold by the defendant to dealers and users prior to the service of said injunction. (R. 57, 58.)"

The trial court found as follows:

"That the defendant, Union Tool Company, has since the issuance and service of the said injunction offered for sale and sold extra, spare and repair parts and elements for, and to be

used with, its devices sold prior to the issuance and service of said injunction, but it is purged of contempt in that particular behalf, without prejudice to the right on the part of the plaintiff to renew its application hereafter. (R. 97, 98.)"

The foregoing quotations plainly show and the District Court properly found that the petitioner had wilfully and deliberately violated the injunction by manufacturing and selling the extra, spare and repair parts for his infringing reamers. This wilful contempt was separate and distinct from the contempt committed by the manufacture and sale of the "Pocket Type" and "U Type" underreamers and because of which the punitive and remedial fines had been assessed.

The respondent's cross writ of error, therefore, lies to a decree containing a finding of wilful and therefore criminal contempt which was not reviewed by the Appellate Court on the hearing of the writ of error.

This finding of fact by the District Court could not be disturbed by the Circuit Court of Appeals.

> "The Circuit Court of Appeals in a contempt case is limited to a review of matters of law, and cannot disturb a finding ~~of~~ on the facts, if supported by any competent evidence."—Tjosevig v. United States, 255 Fed. 5, C. C. A. Ninth Circuit.

The facts stated above show very conclusively that the Appellate Court's decision on petitioner's writ of error reversing the finding of wilful contempt with regard to the manufacture and sale of the "Pocket Type" and "U Type" reamers did not dispose of the other criminal element of the trial court's decree with regard to the manufacture and sale of the extra, spare and repair parts and elements.

The assignment of errors under the cross writ of error was directed to the pardoning or purging of this latter criminal element by the trial court and in considering the cross writ the Appellate Court was not reviewing a judgment of acquittal, as the petitioner erroneously concludes. Nor did the Appellate Court reverse a judgment of criminal contempt when it *accepted the District Court's finding* of criminal contempt and held that the petitioner should be punished and not pardoned in that behalf.

Petitioner presents a vast amount of argument under five subdivisions (brief, 21-46), to show that the Circuit Court of Appeals was without jurisdiction to review the District Court's error in purging the petitioner of the wilful contempt of which the said court found the petitioner guilty. The whole argument, however, disregards the above explained facts and for this reason will not be answered in detail.

Petitioner professes to believe that a contempt proceeding may not develop a criminal element unless same is prosecuted by the people or their representative. (Brief, 26.)

However, contempt proceedings which develop both criminal and civil aspects are generally civil suits in which the court finds that the violation of the injunction was wilful and contumacious. (Kreplik v. Couch Patents Co., 190 Fed. 565; *In re.* Sobol, 249 Fed. 487; Proudfit L. L. Co. v. Kalamazoo L. L. Co., 230 Fed. 120; Schwartz v. U. S., 217 Fed. 866.) Such was true in the instant case. The criminal element did not appear until decision was rendered by the trial court. At this time the respondent brought the matter to the attention of the United States District Attorney for the district in question, but he declined to assist in the case. Likewise the instant writ of certiorari has been brought to the attention of the United States Solicitor General but he does not see his way clear to intervene.

The petitioner was, therefore, the only party interested in taking out a cross writ of error and he was a proper party to do so notwithstanding the criminal nature of the decree because all parties on the record who are injuriously affected by such a decree may appeal or sue out a writ of error. (Foster's Federal Procedure, Sec. 697, p. 2445.)

II.

We will next discuss the petitioner's second contention that petitioner was justified in disregarding the injunction and, therefore, the District Court rightly purged or pardoned the contempt.

In this contention, as in the petitioner's argument above considered, the weakness lies in the fact that the premises assumed by petitioner are wrong.

These may be enumerated as follows:

1. Petitioner was not justified in disregarding the injunction even if it were wrong; but he was obliged to obey same until it was modified or dissolved.

2. The parts manufactured and sold by petitioner for its infringing underreamers were not for repairs only, but were extra and spare parts not only for anticipating breakage but for augmenting drilling operations.

3. The respondent has not, as yet, recovered any compensation from the petitioner for the infringement and the infringing devices will not be released from respondent's patent monopoly until full compensation has been paid to respondent.

1. **Petitioner was not Justified in Disregarding the Injunction Even if it Were Wrong; but He was Obliged to Obey Same Until it was Modified or Dissolved.**

Had the petitioner believed that the infringements previously sold by it were released from respondent's patent monopoly by the interlocutory decree this would not justify his wilful and deliberate violation of the commands of the injunction inhibiting his manufacture and sale of the extra, spare and repair parts for use with the infringing underreamers.

Even though an injunction is improvidently granted or is made broader than the terms of the court's decree will warrant, it must be obeyed until it is modified or dissolved. (Walker on Patents, 5th Ed., Sec. 709, p. 799.)

> "If a party can make himself a judge of the validity of orders which have been issued, and by his own act of disobedience set them aside, then are the courts impotent, and what the Constitution now fittingly calls the 'judicial power of the United States' would be a mere mockery." (Gompers v. Buck S. & R. Co., 221 U. S. 418, 450, 55 L. Ed. 797, 809.)

This was the responsibility assumed by the petitioner when it refused to give heed to the plain commands of the injunction prohibiting the further manufacture, sale or use of the parts and elements of the respondent's patented

combination device. It now contends that its own acts of disobedience have set aside this portion of the order of the court.

Had the petitioner believed the court should not enjoin it from manufacturing and selling the parts and elements for use with its infringements, it nevertheless was not free to disregard such injunction. Petitioner's proper course was to apply for an order to correct the writ and thus test his conclusion, but while the injunction remained in force it should have been obeyed. (Walker on Patents, 5th Ed., Sec. 709, and cases cited.)

At no time did the petitioner question the form of the injunction, as entered by the trial court, and we may reasonably conclude that petitioner assumed the injunction was in accord with the decree. In these circumstances petitioner was not free to disregard same and to do so was contempt. In view of the plain and specific nature of the inhibitions of the injunction the petitioner's wholesale disregard thereof could only have been deliberate, wilful and contumacious.

We submit, therefore, that had the injunction prohibited only acts which were otherwise perfectly legal, as argued by petitioner, this does not mean that petitioner could disregard the injunction.

The things injunctions prohibit are ordinarily legal otherwise. The general laws prohibit wrongful acts and injunctions would not add to their forcefulness. In the instant case the injunction prohibited the manufacture and sale by the petitioner of the extra, spare and repair parts and elements of the infringing and enjoined devices. The petitioner disregarded the injunction and defends himself by saying that the furnishing of *repair* parts was not otherwise illegal. We may conclude that petitioner believes that injunctions should prohibit only acts which are illegal.

2. The Parts Manufactured and Sold by Petitioner for its Infringing Underreamers Were not for Repairs Only but Were Extra and Spare Parts not Only for Anticipating Breakage but for Augmenting Drilling Operations.

The petitioner attempts to justify its contempt by contending that the parts it furnished for use with its infringements were for *repairs* only. (Brief, 46.) Petitioner very carefully avoids all reference to the finding of the District Court and the Appellate Court that it also furnished *extra and spare* parts and elements for its infringing underreamers. Nowhere in its brief does it refer to, much less attempt to justify, its supplying of *extra* and *spare* parts to the users in anticipation of repairs.

These extra and spare parts are not to be included within the doctrine of the right of the user of a patented device to repair same. The operation of drilling a well is greatly expedited by having a supply of extra and spare cutters with which the dull cutters can be replaced, thus permitting the underreamer to resume its work while the dull cutters may be sharpened at leisure. *This is not repairing the underreamer.* This is supplying extra parts in advance of the need thereof.

> "The parts supplied by the defendant are not strictly repairs. The defendant does not actually repair a defective part; it supplies new parts to railroad companies in advance of the actual need thereof. * * * As a result, many new locks are put in operation while the old ones which they replace are in perfect serviceable condition. Such a replacement is not a repair of the lock. (National Casting Co. v. American Steel Foundries, 182 Fed. 626, 640.)"

> "The right of replacement, improvement, substitution, or resupplying of an element of a patented apparatus depends entirely on whether the purpose is legitimate repair in the sense of restoration of a worn-out or broken part" (Electro Bleaching Gas. Co. v. Miller *et al.*, 264 Fed. 429.)

The above authorities explain one of the distinctions between an extra or spare part and a repair part. Where one of these extra or

spare cutters is put in operation while the old cutter replaced by it is perfectly serviceable, requiring only to be sharpened, is in no sense to be considered as repairing the underreamer.

Another distinction between repairing and supplying extra and spare parts is that repairing does not increase the number of devices in the hands of a user.

> "* * * whereas, in case of repair or replacement authorized by the implied license," (to repair a patented device), "no greater number than that furnished by the complainant would belong to the user." (National Casting Co. v. American Steel Foundries, *supra.*)

By supplying extra and spart parts and elements in disregard of the injunction the petitioner has enabled the users of his infringements not only to reconstruct them from time to time but to run these infringing underreamers continuously while dull cutters are replaced from a supply of spare ones and sharpened at leisure. These extra and spare parts and elements supplied by petitioner in defiance of the injunction were intended to augment drilling operations rather than to repair disabled reamers.

In addition to the extra, spare and repair cutters, the petitioner has manufactured and sold to dealers and users, under the guise of repairs,

great numbers of springs, spring rods, keys, cotter pins, etc., and all the elements of the patented combination except bodies. (R. 57, 58.) These elements are intended by the manufacturer to last as long as the combination and cannot be said to be rapidly wearing parts, as petitioner would have this court believe. (Brief, 47.) They may be repaired but not replaced. This distinction between a part which may be repaired and one which may be entirely replaced in a patented device is pointed out by Mr. Justice Wayne in Wilson v. Simpson, 9 How. 109, 13 L. Ed. 66, as follows:

> "The right of the assignee to replace the cutter knives is not because they are of perishable materials, but because the inventor of the machine has so arranged them as a part of its combination, that the machine could not be continued in use without a succession of knives at short intervals. Unless they were replaced, the invention would have been but little use to the inventor or to others. The other constituent parts of this invention, though liable to be worn out, are not made with reference to any use of them which will require them to be replaced. These, without having a definite duration, are contemplated by the inventor to last so long as the materials of which they are formed can hold together in use in such a combination. No replacement of them at intermediate intervals is meant or is necessary. They may be repaired as the use may require. With such intentions, they are put into the structure.

> So it is understood by a purchaser, and beyond the duration of them a purchaser of the machine has not a longer use."

The test of what is a repair as distinguished from a replacement and how far a user may replace the elements of a patented combination is explained in the above quotation. The doctrine therein propounded distinctly shows that petitioner could not manufacture and sell all the elements of this patented combination except the body and defend himself in so doing by the doctrine of repairs. Furthermore, petitioner manufactured and sold bodies for its "Pocket Type" and "U Type" underreamers which were not even colorably different from the enjoined types. Plainly with this body and a set of the extra parts freely supplied by the petitioner anyone could assemble a new infringing underreamer. However, even though petitioner supplied all the elements of respondent's patented combination except the bodies (R. 58), the fact that the combination, as manufactured and sold by him for others to assemble, is incomplete would not avoid infringement of respondent's patent.

> "Infringement of a patent for a combination is not avoided by omitting one element of the combination, where such element is essential to the successful operation of the alleged infringing device, and it is intended that it or its equivalent shall

be supplied by users." (James Heekin v. Baker *et al.*, 138 Fed. 63.)

If the parts so furnished by petitioner are assembled or used by another in infringement of respondent's patent, admittedly the respondent would be guilty of contempt of the injunction.

Petitioner urges, however, that "the writ of injunction did not enjoin petitioner generally from making, using or selling all such parts, but enjoined petitioner only from making, using or selling any parts or elements to be combined or used as a part of any underreamer in infringement of respondent's patent." (R. 48.)

As we read the injunction it means that petitioner may not manufacture or sell parts or elements calculated and intended to be combined or used in infringement of respondent's letters patent. (R. 15.)

This is stated again in the body of the injunction where it prohibits the manufacture or sale by petitioner of "any combination of parts or elements or features capable of being assembled together or used in infringement of said Letters Patent No. 827,595, that is, of claims 9 and 19 thereof." (R. 15.)

Petitioner argues that it was free to manufacture and sell the elements of respondent's patented combination because those elements were not separately patented. (R. 50.) The

same argument was advanced in the case of Leeds v. Catlin v. Victor Talking Machine Co., 213 U. S. 325, 53 L. Ed. 816, and was disposed of by the court in the following language:

> "It is further contended by petitioner that the disc records, being unpatented articles of commerce, which could be used upon the mechanical feed-device machine or exported to foreign countries, or concededly for repair of machines sold by respondent, petitioner could legally sell the same. A detailed comment on this contention or of the cases cited to support it we need not make. The facts of the case exclude petitioner from the situation which is the foundation of the contention. *The injunction did not forbid the use of the records, except in violation of claims 5 and 35 of respondent's patent.* The judgment for contempt was based upon the facts which we have detailed, and they show a sale of the records for use in the Victor machine, 'an entirely voluntary and intentional' (to use the language of Judge Lacombe) 'contributory infringement.'"

The petitioner's assertion that no infringement is committed by the unlicensed manufacture and sale of the unpatented elements of a patented combination probably will not be accepted seriously by this court.

The petitioner argues that even an injunction cannot validly, prohibit such an invasion of a patentee's monopoly. Petitioner will find no justification in law for this argument. Not only

was petitioner guilty of contempt in manufacturing and selling the extra, spare and repair parts and elements to be assembled by others but to do so constitutes contributory infringement. Petitioner admits that his defiance of the injunction amounted to contempt if the sale of the unpatented elements of the invention was an act of infringement.

The subject of contributory infringement is well reviewed in Thomson-Houston v. Ohio Brass Co., 80 Fed. 712, and reference thereto will set aside all doubt regarding the petitioner's contention that anyone is free to manufacture and sell the unpatented elements of a patented combination. In that case Judge (now chief justice) Taft said:

> "It is well settled that where one makes and sells one element of a combination covered by a patent with the intention and for the purpose of bringing about its use in such a combination he is guilty of contributory infringement and is equally liable to the patentee with him who in fact organizes the complete combination. The leading case on the subject is Wallace v. Holmes, 9 Blatch, 65, 29 Fed. Cas. 79. * * * The contention of the counsel for defendant, if we understand it, is that the effect of the decision of the Supreme Court in the case of Morgan Envelope Company v. Albany Perforated Wrapping Paper Co., 152 U. S. 425, 14 Sup. Ct. 627, is to do away altogether with the doctrine

of contributory infringement. If this is a proper reading of the judgment of the Supreme Court in that case it was a somewhat startling departure from previously understood principles ~~of~~ the law of torts. An infringement of a patent is a tort analogous to trespass or trespass on the case. From the earliest times, all who take part in a trespass, either by actual participation therein or by aiding and abetting it, have been held to be jointly and severally liable for the injury inflicted. There must be some concert of action between him who does the injury and him who is charged with aiding and abetting, before the latter can be held liable. When that is present, however, the joint liability of both the principal and the accomplice has been invariably enforced. If this healthful rule is not to apply to trespass upon patent property, then, indeed, the protection which is promised by the Constitution and laws of the United States to inventors is a poor sham. *Many of the most valuable patents are combinations of* ~~un~~*patentable elements,* and the only effective mode of preventing infringement is by suits against those who, by furnishing the parts which distinguish the combination, make it possible for others to assemble and use the combination, and who, by advertisement of the sale of such parts and otherwise, intentionally solicit and promote such invasions of the patentee's rights."

Petitioner admits that, in defiance of the injunction, he manufactured and sold, for others to assemble, *extra* and *spare* parts and *elements*

as well as repair parts and in view of the above authority this was contributory infringement. The parts so supplied were used in infringement of respondent's patent and the petitioner admits that if this is true he is guilty of wilful contempt of the injunction.

3. The Respondent has not, as Yet, Recovered any Compensation From the Petitioner for the Infringement and the Infringing Devices Will not be Released From Respondent's Patent Monoply Until Full Compensation has Been Paid to Respondent.

In arguing this matter petitioner correctly states the law as follows:

> "The patentee's *receipt* of complete compensation for the use of his patented invention in an infringing device, frees such device from the patent monoply." (Brief 54, ll. 19-23.) "* * * and the patentee *recovers* from the infringer full compensation etc." (Brief 55, ll. 3-4.)
>
> "* * * after the owner of the patent thereon *has been so fully compensated* etc." (Brief 55, ll. 7-8.)
>
> "Therefore, the rule is well established that *receipt of full* compensation, etc." (Brief 55, ll. 22-23.)
>
> "An *actual recovery* of a full royalty, etc. (Brief 55, l. 29.) "* * * If the avails of the sales are claimed *and taken,* etc." (Brief 56, l. 24.)

> "* * * the patentee, in demanding *and recovering full compensation,* etc." (Brief 57, l. 17.)

Petitioner, after correctly stating the law that the infringements will not be free until the respondent has received full compensation, then assumes that:

> *"When the patentee elects to sue* and does sue the manufacturer for full compensation, he must be deemed to have *thereupon* freed, from his patent monopoly, the devices covered thereby and sold by the manufacturer, etc." (Brief 58, ll. 1-5.)

Also that:

> "* * * *an interlocutory decree,* awarding the patentee such full compensation in a suit against the manufacturer, *frees the devices* in the hands of the purchasers *pending final decree,* etc." (Brief 58, ll. 16-20.)

The error of petitioner's argument lies in the fact that the infringing devices will not be released from respondent's patent monopoly until the respondent *has received* full compensation for the trespass committed by the petitioner. This is the law of the Ninth Circuit and other circuits notwithstanding petitioner represents that he relied upon his own interpretation thereof. (R. 84.)

In Stebler v. Riverside Heights O. G. Assn., 211 Fed. 985, the trial court stated the law as follows:

> "Where a patentee, situated as complainant, recovers from an infringing manufacturer damages and profits on account of the infringement, *and the judgment is paid,* the purchaser from such manufacturer, who is a user of the machine, has the same right to such use as he would have were he a licensee ~~of~~ from the patentee; that is, the right to use continues during the life of the patented machine."

In Stebler v. Riverside Heights O. G. Assn., 214 Fed. 550, upon which petitioner relies, the court makes it clear that the full compensation must be paid before the infringing devices are released from the patented monopoly. The statement of the court is as follows:

> "It therefore falls within the rule stated by the court that if the plaintiff has been deprived of his property by two wrongdoers, and *has received full compensation* from one of them, the other is exempt."

The reason a decree for damages and profits against the petitioner will not release the infringing devices until the respondent *has received* full satisfaction, lies in the fact that this decree does not necessarily represent all the profits and damages involved and a recovery thereof may not be full satisfaction. This is

well explained in Kryptok Co. v. Stead Lens Co., 190 Fed. 767, 770:

> "The owner of a patent cannot recover, in a suit against a manufacturer of an infringing article which he sells to retailers, the full relief to which he is entitled in suits against retailers, and a decree for an injunction and damages against a manufacturer is no bar to suits against those who purchase from the manufacturer and use or sell to others."

In the Stebler case, relied upon by petitioner, both the patentee and manufacturing infringer sold direct to *users only*, and all the profits and damages were directly involved in the action. In the instant case, however, both the patentee (respondent) and the manufacturing infringer (petitioner) sell *to dealers and resellers* and it is possible that the retailer's profit may not be recovered in this accounting. If not, the respondent may elect to proceed against either the resellers or the users for the retailer's profit. (Birdsell v. Shaliol, 112 U. S. 485, 28 L. Ed. 768; Kelley v. Ypsilanti etc. Mfg. Co., 44 Fed. 19.

This distinction is referred to as controlling in the case of Stebler v. Riverside Heights O. G. Assn., 211 Fed. 985, as follows:

> "Complainant has thus far utilized his patent by manufacturing and selling *directly to users* his patented machines, and

> in this case has sued for and recovered of infringing manufacturers, who *also sold* directly to users, profits and damages."

It is plain, therefore, that in the Stebler v. Riverside Heights case all of the profits and damages due to the infringement were involved in the decree for profits and damages and recovery thereof would be full compensation. In such circumstances it was reasonable to enjoin the prosecution of suits against the users of the infringements pending the outcome of the main suit. This was the only question involved in the Stebler case. It fell far short of holding that the manufacturing infringer could continue to manufacture and supply the users with the elements of the combination even though this was prohibited by an injunction.

It is interesting to note that all the cases quoted by petitioner except the Stebler case emphasize the doctrine that full compensation *must be paid* to the patentee before the infringements are freed from the patented monopoly.

Allis v. Stowell, 16 Fed. 783 (brief 60), refers to the *recovery* of profits and damages, or where a patentee *recovers* from an infringing manufacturer as the element necessary to release the infringement to the user. In this case the court said:

> "To effect such a result it must further appear that the patentee's claim to profits and damages against the manufacturer has been actually paid and satisfied."

Stutz v. Armstrong, 25 Fed. 147 (brief 61) says that if the patentee "elects as his measure of damages the full license fee established by himself, the *payment thereof* operates to vest in the defendant the right to use the machine during the term of the patent, or until that particular machine is worn out." Also, this decision pronounces this rule to be "in harmony with the general rules that *satisfaction of a judgment* for the value of property wrongfully converted transfers the title to the defendant." In this case the court asked that the decree be "so framed as to assure to the defendants, *upon making satisfaction,* the future use of these machines, or such of them as still exist."

Yet petitioner quotes this case to show that it is the election to sue and not the payment of the full measure of damages which releases the infringement; that it is the judgment and not its satisfaction which transfers the title of the wrongfully converted property.

In Morgan Envelope Co. v. Albany Co., 152 U. S. 425, 38 L. Ed. 500 (brief 62), the court says that "the patentee having once *received* his royalty upon such device, he cannot treat the subsequent seller or user as an infringer."

In Birdsell v. Shaliol, 112 U. S. 485, 28 L. Ed. 768, it was held that nominal damages were *not complete compensation* for an infringement and that a suit in which such a recovery was made would not bar the owner of the patent from suing the users of the infringements until he had recovered complete compensation. Petitioner describes this case in detail twice (brief 63, 65), in an attempt to show that it is not in accord with the other authorities.

The case of Stebler v. Riverside Heights O. G. Assn. (214 Fed. 550) is the only authority which seems to hold that a *decree* awarding profits and damages would free the infringements from any further claim by the patentee. If this is the interpretation to be placed upon that opinion that court hastened to correct its departure from the established law in this regard, by a well studied decision in Sherman Clay & Co. v. Searchlight Horn Co., 225 Fed. 497, 500, as follows:

> "But, if it be conceded that * * * a recovery against a prior seller would operate as a release of the device from the monopoly in the hands of a subsequent dealer in the same articles as previously sold, it must also be conceded that the owner has the lawful right to sue any dealer who is making merchandise of his patented articles. All dealers in such articles without a license from the patentee are alike ~~joint~~ tort-feasors, and all are alike

> amenable to damages *until the patentee is compensated* for the damages sustained, and all may alike be enjoined from so dealing in such articles."

The respondent has not yet received any damages or profits as a result of the decree. Until there has actually been a full satisfaction of profits and damages to the respondent it cannot be assumed that such will eventuate without fail. The infringing devices cannot be freed from the respondent's patent monopoly on an uncertain contingency.

In Wagner *et al.* v. Meccano, Ltd., 239 Fed. 901, the Circuit Court of Appeals for the Sixth Circuit disagrees with the ruling in Stebler v. Riverside Heights (*supra*) and says in reference to it:

> "And this latter case (Stebler v. Riverside), so far as concerns its declared principle, is at least greatly modified by the later decision of the same court in Sherman v. Searchlight, 225 Fed. 498."

Manifestly the Appellate Court of the Sixth Circuit disagrees with petitioner's statement (brief 84, l. 22), in reference to the *dictum* relied upon in the Stebler case that " this was the rule of law of the district and circuit" at the time this contempt was committed. In the above cited case the Circuit Court of Appeals states its own rule to be quite different from

that of the Stebler case and is obviously in accord with Sherman v. Searchlight (*supra*), Birdsell v. Shaliol (*supra*) and the other authorities referred to heretofore.

In De Laski & Thropp Co. v. Empire R. & T. Co., 239 Fed. 139, the Stebler v. Riverside case is said to be in conflict with the rule laid down by the Supreme Court in Birdsell v. Shaliol (*supra*), and the court then holds that:

> "* * * it has been uniformly held that recovery of such compensation from one (infringer) does not entitle another, whether a purchaser or licensee, to thereafter use the infringing article without the consent of the patentee (citations). And such seems to be the proper rule to be deduced from Birdsell v. Shaliol."

The petitioner relies upon the Stebler case to justify his sale of extra, spare and repair parts to users of his infringements in spite of the injunction when all that the Stebler case held was that suits could not be brought against the users until the termination of the suit against the manufacturing infringer because all the profits and damages due to this infringement were represented in that suit. It is to be noted that the court in that case, enjoined the bringing of suits against the users only "until the rendition of the judgment of the court upon the master's report on the accounting."

It is plain, therefore, that the court had in mind only that a multiplicity of suits was unnecessary and would be enjoined until the termination of the main suit. If the recovery in the main suit were not full and complete the joint tort feasors, who were the users, would no longer be immune from litigation and the infringements would not longer be free from the patentee's monopoly.

Where the whole profit and damages due to the infringement are not represented in the suit against the manufacturing infringer the resellers, users and other joint tort feasors, are not immune from prosecution for the gains and damages due to their acts and the infringements cannot be freed from the patent monopoly till full compensation *has been recovered* by the patentee. To hold otherwise would be to deprive the patentee of his equities while the statute of limitations was running against him.

The differentiating circumstances above enumerated obtain in the instant case. The main suit does not and cannot involve all the profits due to the trespass and the respondent can pursue his remedy against dealers and users and can enjoin their further trespass until he has recovered full compensation for the infringement. If the respondent does *recover full compensation* for this trespass from one or more of the joint tort feasors, then and not before, will

the remainder of the joint tort feasors be free from prosecution and then, and not before, will the infringements in their hands be freed from the respondent's patent monopoly *to the same degree as though the respondent had made and sold them.* They will not even then be freed to the extent that unlicensed manufacturers may manufacture and sell the elements thereof for others to assemble into infringements, as petitioner professes to believe. (Brief, 52.)

This does not mean that the patentee is demanding two remedies for one wrong any more than that a judgment for the wrongful conversion of property and satisfaction of that judgment are two remedies. The interlocutory decree herein declares the petitioner's devices to be infringements but it does not at the same instant free them from the respondent's patented monopoly.

To hold otherwise would be to accept this paradox.

The Trial Court Abused its Discretion When it Purged the Petitioner of Contempt After it had Found Petitioner Guilty of Contempt in Manufacturing and Selling the Extra, Spare and Repair Parts to be Used With its Infringements.

The District Court failed to understand the procedure of purging of contempt. Under the

common law a person charged with contempt could purge himself by swearing that in doing the act charged he did not intend to commit a contempt. (Cyclopedic Law Dictionary. Bouvier's Law Dictionary.)

The petitioner did not so purge his contempt herein, nor could he; because the Federal courts do not recognize the common law rule of purgation. They leave the question of commission of contempt to be determined by proof adduced upon the hearing. (United States v. Huff, 206 Fed. 700.)

In the instant case the proofs adduced convinced the trial court of the guilt of the petitioner and the court so found. In purging the petitioner of this contempt the court merely pardoned the petitioner of an offense which the respondent had proved and petitioner had admitted. This was a gross abuse of discretion on the part of the District Court and the Appellate Court had power to correct same. (*In re.* Sobol, 242 Fed. 487.)

The discretion of a court must be "legal discretion" and not merely the individual view or will of the particular chancellor. (Hanover v. Allen, 208 Fed. 513.) A complainant labors under many difficulties in proving a violation of an injunction and when he has conclusively established his case he may reasonably expect the court to vindicate the law unerringly. While

the matter of punishment is within the sound discretion of the trial court "such discretion does not extend to a refusal to apply well-settled principles of law to a conceded or indisputable state of facts." (Winchester Repeating Arms Co. v. Olmstead, 203 Fed. 493, and citations.)

The District Court itself found and the petitioner admitted that petitioner had done the very act prohibited by the injunction in manufacturing and selling the extra, spare and repair parts and elements for use with the infringing underreamers. This was "a conceded and indisputable state of facts" and the District Court refused to apply the well-settled principles of law thereto. It was the absolute duty of the court to render such a decree as would vindicate its jurisdiction and authority to enforce its orders. It was rendered an imperative duty on the part of the court by the fact that the motives of petitioner in violating the decree were that to do so was very profitable (R. 78), and it had a "sedulous desire and disposition * * * to do everything that he could do, and keep out of jail, and yet take advantage of the things that this man Wilson (respondent) had invented." (R. 81.)

> "And if, upon the examination of the record, it should appear that the defendants were *in fact and in law* guilty of the contempt charged, there could be no more im-

> portant duty than to render such a decree as would serve to vindicate the jurisdiction and authority of courts to enforce orders and to punish acts of disobedience." (Gompers v. Buck S. & R. Co., 221 U. S. 418, 450, 55 L. Ed. 797, 809.)

We know of no exception to the above rules with regard to the punishment of wilful contempt when same is conceded or proven. The state courts also follow this rule uniformly.

> "A punishment for contempt rests in the sound discretion of the court and the judgment of the trial court will not be disturbed unless such discretion has been grossly abused, as for example where the court refused to commit a person who violated an injunction." (Barber v. Brennan, 140 Iowa 678.)

In dealing with the question of spare parts, the lower court itself doubted the accuracy of its own conclusions of law. (R. 75, 79.) It again betrayed its lack of confidence in its conclusions by wording the decree so the respondent could again raise the question by renewing his application. (R. 98.) In pardoning petitioner of contempt in this regard the trial court virtually granted petitioner a license to make and sell all the elements of respondent's patent, with the resulting profits to be turned over to respondent as a royalty. (R. 78, 79.) This would require periodic accountings. We are not surprised that the trial court itself

doubted the accuracy of its amazing abuse of discretion.

In view of the foregoing authorities, we submit that the Appellate Court had jurisdiction and it was its obvious duty to correct the trial court's abuse of discretion in failing and refusing to apply the law to the facts as found by it.

At the conclusion of its brief the petitioner argues that the writ of injunction was void because it bore the teste of the chief justice of the United States Supreme Court instead of that of the judge of the District Court.

As we read section 1534 of the Judicial Code the teste of the clerk of the District Court is all that is necessary in the absence of that of the district judge and the injunction in this case also bears the teste of said clerk.

However, this injunction was entered in the lower court, contempt proceedings were then had in that court, a writ and a cross writ of error were then prosecuted to the Appellate Court, and thereafter a rehearing was asked and denied. The matter then came to the Supreme Court on this writ of certiorari and here *for the first time* petitioner challenges the form of the injunction. Doubtless this court will not wish authorities cited to substantiate the rule that such a defense cannot be raised for the first time before the Supreme Court.

In conclusion we call attention to the final summary contained in petitioner's brief as follows:

1. That the Honorable United States Circuit Court of Appeals had no jurisdiction. (Brief, 89.)

This cross writ of error was directed to a finding of wilful and therefore criminal contempt by the District Court and this finding had not been disposed of by the Appellate Court on petitioner's writ of error. It was therefore properly reviewed by the Appellate Court on this cross writ of error.

2. That the furnishing of "repair parts" did not constitute contempt. (Brief, 90.)

Petitioner studiously avoids the trial court's finding of fact that it also manufactured and sold "extra" and "spare" parts for its infringements and also its infringements were not released from respondent's patent monopoly for the reason that no compensation whatever had yet been paid to the respondent for the infringement.

3. That there was no fact which would sustain a judgment of wilful or criminal contempt; and that, therefore, the judgment and decree of the Honorable United States Circuit Court of Appeals should be reversed and this case remanded affirming the judgment of the

District Court notwithstanding respondent's writ of error. (Brief, 90.)

The trial court found as a fact that the petitioner had done the very thing prohibited by the injunction in supplying the "extra," "spare" and repair parts and elements. There could be no other conclusion than that this was wilfully done and the Appellate Court so found.

4. That the writ of injunction was void and a nullity. (Brief, 90.)

Petitioner will not be heard to raise this objection for the first time in the Supreme Court even if the teste of the clerk of the District Court were not sufficient authority for the injunction.

We respectfully pray this Honorable Court to dismiss this writ and thus sustain the decision of the Appellate Court and by so doing vindicate the law upon this petitioner who has shown "a sedulous desire and disposition * * * to do everything that he could do, and keep out of jail, and yet take advantage of the things that this man Wilson (respondent) had invented."

Respectfully submitted,

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